

Report to Council



Date: May 1, 2017
File: 1890-20
To: City Manager
From: Ron Westlake, Special Projects Manager
Subject: Kelowna Integrated Water Phase One, SEKID/SOMID Transition and Infrastructure Project

Recommendation:

THAT Council receive, for information, the report of the Special Projects Manager dated May 1, 2017 with respect to the Kelowna Integrated Water Phase One, South East Kelowna Irrigation District (SEKID) & South Okanagan Mission Irrigation District (SOMID) Transition and Infrastructure Project;

AND FURTHER THAT the 2017 Financial Plan be amended to include the expenditures totaling \$63,719,980 of which \$43,907,000 from Federal/Provincial Grant funding, \$6,844,552 from SEKID contributions, \$569,111 from the DCC Reserve, \$79,864 from the Sewer Utility, \$79,864 from the Landfill Reserve, \$4,768,577 from the Water Utility and the remaining \$7,471,012 from the Water Quality Enhancement Fee Reserve.

Purpose:

To amend the 2017 Financial Plan to include the Kelowna Integrated Water Phase One, SEKID/SOMID Transition and Infrastructure Project.

Background:

In January 2017 the City of Kelowna and South East Kelowna Irrigation District conducted a Value Planning Exercise, a requirement of the Provincial government, which resulted in the 2017 Kelowna Integrated Water Supply Plan. Phase 1 includes the separation of agricultural and domestic systems in SEKID; in the short-term, domestic water will be supplied through a new transmission line connecting to the City of Kelowna's water distribution system from Okanagan Lake. Agricultural water will continue to be supplied from Hydraulic Creek with emergency connections to the domestic supply in the event of service disruption. Phase 1 will also see a sustainable agricultural water supply delivered to SOMID, along with upgrades to the City of Kelowna's water utility to supply both SEKID and SOMID and accommodate future growth. This work sets the groundwork for future integrations.

City Council has made the provision of safe, clean drinking water one of its top priorities between 2014 and 2018.

Clean Water and Wastewater Fund (CWWF)

In September, 2016 the Province announced a joint federal/provincial funding program for grants to offset the cost of water and wastewater projects. The CWWF program would fund up to 83% of the local government projects through a competitive application process. The City applied in November, 2016 for a project to upgrade the south-end water supply infrastructure, to deliver irrigation water to the South Okanagan Mission Irrigation District and to provide a separate domestic water supply system to serve customers of the South East Kelowna Irrigation District (SEKID).

Due to the size of the CWWF application, the Province required an independent Value Planning review of the proposed infrastructure. This work was substantially completed in January, 2017 and the application was amended accordingly.

On March 17, 2017 the City was informed that it would receive approximately \$43.9 million of senior government funding for this project. With local funding added, the total project estimate is \$63.7 million. A Shared Cost Agreement has now been executed with the Province for their share of funding and City staff have confirmed the eligibility of certain costs that can be recovered through their funding. Those resources, acquisitions and equipment that are ineligible for the grant funding are included in the Recommendations section of this report.

Capital Project

This is a very large water infrastructure project that will require over two years to complete. It includes:

- Major upgrades to the City's core south-end water infrastructure such as two main pump stations, expansion of reservoir capacity and 5600 metres of large diameter transmission main;
- 2300 metres of new transmission main extending the City Water Utility to South East Kelowna; and
- A new separated water system to serve existing SEKID domestic customers with year-round clean water that includes 75 km of water distribution main, two new pumping stations and expanded reservoir storage.

SEKID/City Integration

A condition of the grant funding is that SEKID will integrate with the City Water Utility. A Transition Agreement has been executed between SEKID and the City and the transition date will be January 1, 2020.

There are a number of work activities to be completed during the period prior to the transition date. These include asset transfers, merging of rate structures and integration of staff resources. A Transition Team has been formed to oversee and coordinate these activities, in addition to the delivery of the CWWF water infrastructure project.

Real Estate Requirements

In order to successfully integrate City and SEKID water utility works, funding has been included for a variety of land tenure acquisitions. Preliminary estimates by staff suggest in the range of 150 statutory right of ways and easements in favor of SEKID over privately held properties. Integration of the two utilities will require a review of all existing SEKID land tenure documents to ensure adequate protection for current and future City of Kelowna water infrastructure. Furthermore, it is anticipated that a significant number of existing statutory right of ways and easements in favor of SEKID will need to be modified and/or amended in order to allow the delivery of domestic, potable water adjacent to the existing agricultural water supply.

In addition to the easement/right of way costs described above, a number of property acquisitions will be required to accommodate additional utility infrastructure associated with the integration, including reservoirs, pump stations, and main water transmission lines.

Internal Circulation:

Division Director, Financial Services
Division Director, Communications

Financial/Budgetary Considerations:

The costs and required funding associated to upgrade the south-water major water systems infrastructure, build a KLO water transmission main and a new domestic water distribution system to serve existing customers of the SEKID is not part of the City's current financial plan. The 2017 Financial Plan will require an amendment as detailed in the Recommendations section of this report. Finance staff will be working closely with the various stakeholders including the province and SEKID in order to record and review all financial transactions.

Considerations not applicable to this report:

Personnel Implications
Legal/Statutory Authority
Legal/Statutory Procedural Requirements
Existing Policy
External Agency/Public Comments
Communications Comments
Alternate Recommendation

Submitted by:

R Westlake, Special Projects Manager

Approved for inclusion:



Alan Newcombe, Infrastructure Division Director

Attachments:

cc: Infrastructure Delivery Department Manager
Utilities Services Manager
Director Strategic Investments

Infrastructure Administration Manager
Financial Planning Manager